

## SUSTAINABLE DEVELOPMENT PAGE OF THE COMPANY ACT 2013 OR OVERVIEW IN INDIA: ANALYSIS

**AUTHOR** – SANAT JAYANTILAL PANCHAL\* & DR. DIXIT PATEL\*\*, PG STUDENT & PROFESSOR AT  
SWAMINAYARAN UNIVERSITY, KALOL

**BEST CITATION** – SANAT JAYANTILAL PANCHAL & DR. DIXIT PATEL, SUSTAINABLE DEVELOPMENT PAGE OF THE  
COMPANY ACT 2013 OR OVERVIEW IN INDIA: ANALYSIS, *INDIAN JOURNAL OF LEGAL REVIEW (IJLR)*, 4 (2) OF  
2024, PG. 698-702, APIS – 3920 – 0001 & ISSN – 2583-2344.

### ABSTRACT:

This study examines how sustainable development is incorporated into the Indian Companies Act of 2013, with a particular emphasis on the CSR (Corporate Social Responsibility) requirements. It gives a summary of the pertinent Act parts, examines how they were implemented, and assesses how they affected sustainable development. The study employs a thorough research approach to analyze compliance levels, identify obstacles, and provide policy recommendations aimed at improving the efficacy of corporate social responsibility initiatives. The word "corporation" is derived from the Latin word "corpus" which means "body". With the help of many companies. Laws developed to govern business sectors, governance means monitoring the processes and systems used to achieve the expectations of stakeholders. The company guarantees that its relationships with various stakeholders are open and true. This article looks at how the newly enacted Indian Companies Act (2013), an important law with far-reaching implications for all companies incorporated in India, will help in its implementation. So-called "Corporate Management" and sustainable development comparing the old law (Company Law 1956) with the new [Company Law 2013] Sustainable development means meeting the needs of the present without compromising the needs of future generations. This article also explains whether the amended provisions of the new Companies Act of India would be a boon for the entire country or would only aggravate the difficulties caused by the previous Companies Act, 1956. This study also discusses how the Limited Companies Act 2013 supports corporate governance, emphasizing the importance of transparency and accountability.

**Keywords:** CSR, ESG, Sustainability Reporting, Long-term Value, Accountability

### INTRODUCTION

The Indian Companies Act, 2013 has defined a company as a legal entity or a legal entity having special characteristics defined by law. This will help the country meet its economic expectations. The Stock Exchange introduced company law in 1850 with the Companies Act 1850. The Companies Act was amended several times due to many contradictions arising from its implementation. For the first time, the stock exchange made it possible to set up an organization simply by registering, without the need to first obtain a certificate of incorporation. In 1955, the British parliament

passed the Debt Act by a majority vote, which imposed various obligations on the members of a company registered under the previous Act. With the introduction of the new amendments in 1862, two new documents were presented, namely the Memorandum of Association [MOA] and the Articles of Association [AOA]. Before 1908, people were only aware of the concept of state-owned enterprises, but in 1980, the concept of private enterprises was introduced. The Companies Act 1956 consolidated and amended the prevailing laws. The Act came into force on April 1, 1956. This Act was drafted by the Bhabha Commission, also known as the Company Law Commission. It was the longest

piece of legislation in parliament. The Act (1956) was amended several times and was designed to allow the continued growth of the corporate sector and their enforcement in the country. Next comes the Companies Act, 2013 which has 470 sections and 29 chapters. In this Act, the number of members of a partner in a private limited company was increased, the concept of sole proprietorship was introduced, section 135 of that Act was amended and many other things. The changes made to the law were reactive in nature. The main changes were the reaction to the global phenomenon of the colonial era and the post-world 1 and 2 era and the opening of the Indian market in 1990. The recent changes were proactive and aimed to increase the effectiveness of the legislation. To the dynamics of society.

#### RESEARCH OBJECTIVES:

- Is the new Companies Act 2013 a boon or will it increase the problems of companies.
- Comparison of the old limited company law with the new limited company

#### RESEARCH HYPOTHESIS

- Indian Companies Act 2013 is a boon for both entrepreneurship and sustainable development.
- This law does nothing to add to the existing problems of companies.

#### RESEARCH METHODOLOGY

A thorough study technique is used to examine sustainable development in relation to the Companies Act of 2013. To grasp the theoretical framework and earlier studies on CSR and sustainable development in corporate law, let's start with a survey of the literature. The Act's statutory provisions, legislative intent, and judicial interpretations are all examined in the next legal analysis. Empirical analysis is the process of gathering and evaluating information from CSR disclosures and annual reports in order to evaluate the efficacy and compliance of CSR initiatives. To obtain qualitative insights, stakeholder interviews with business executives, CSR managers, regulatory

authorities, non-governmental organizations, and industry experts are conducted in addition to this. Moreover, a comparative analysis finds chances for development by comparing India's CSR framework to international standards and practices.

#### SUSTAINABLE DEVELOPMENT OF COMPANY LAW IN INDIA

The key CSR-related provision in the Companies Act 2013 is Section 135, which applies to companies with a net worth of ₹500 crore or more, turnover of ₹1000 crore or more, or a net profit of ₹5 crore or more during any financial year. These companies are required to spend at least 2% of their average net profits of the last three years on CSR activities as per Schedule VII of the Act, which includes activities related to poverty alleviation, education, gender equality, environmental sustainability, and more.

Companies in India are governed by various laws and regulations. The journey of company law goes back to the 19th century. Many changes have been made since then. The Companies Act 1956 has governed the formation and operation of companies for more than 60 years and now the Companies Act 2013 includes several new concepts and also removes some ancient concepts. It can also be stated that this new law exempted the provisions of the Law on Private Limited Companies and also took ideas from international laws. It contains provisions for investor protection, good corporate governance, sole proprietorships, class actions, strict penalties for negligence, etc. Five significant amendments were made to the Companies Act 2013. These were-Sole Proprietorship Corporate Social Responsibility [CSR] Loan to Directors Female Director Prohibition of Insider Trading

ONE PERSON COMPANY - Section 2[62] and Section 3 [1] [c] says one of the company of man. The Promoter must be a natural person resident in India, a citizen of India. He nominates with his consent a candidate who is a natural person resident in India and a citizen of India.

**CORPORATE RESPONSIBILITY** - According to Section 135[1] of the Act, the Corporate Social Responsibility Committee shall consist of at least three directors, including an independent director. The responsibilities of the CSR Committee include recommending policies to the board of the company, etc.

**LOAN TO DIRECTORS** - SOE cannot give or provide any guarantees or guarantees in relation to a loan to a director or any other person in whom a director is interested except for managing directors and whole-time directors in certain cases.

**WOMEN DIRECTORS** Rules 3,4,5 Companies [Appointment and Qualification of Directors] Rules, 2014 is about this.<sup>963</sup>

**EDUCATION – INSIDER** The Companies Act 1956 had no clause to that effect. SEBI has set trading rules in India. Added a new clause relating to the prohibition of insider trading in the Limited Companies Act 2013.

**COMPANIES ACT 1956 COMPARISON WITH COMPANIES, 2013** - Some points are discussed below -

**CONSTITUTION ACT, 1956 COMPANIES ACT, 2013**

**Private Company** The minimum number of members required was two and the maximum number fifty. The maximum number of members was changed and increased from fifty to two hundred. One person company [OPC] such a company did not exist. In this Act, OPC was introduced and it means that there is only one member in the company. Number of directors of the company. The minimum number of directors in a joint-stock company was 3 In a private company 2 And the maximum number was 12. The minimum number remained the same and in a one-person company. The maximum number has been increased to 15.

**Female Director** There was no such rule. According to this law, the company must have at least one female manager. **Independent Director** There was no such clause. That law required every listed company to have one-third of all directors as independent directors.

**THE COMPANIES ACT, 2013 - BOON OR BANE:** The Companies Act, 2013 fully regulates the provisions regarding independent directors. According to the Federation of Indian Chambers of Commerce and Industry, this action gave mandatory recognition to the Serious Fraud Investigation of the Ministry of Corporate Affairs. In addition, it was seen that the new law tightened the provisions of inspection and investigation and also provided severe punishment for violations and negligence. This law increases power and responsibility in corporate governance. There was no special provision for independent directors under the Companies Act, 1956. Only clause 49 of the listed agreement required the appointment of independent directors and made it mandatory for listed companies. Companies become more transparent and compliant when improvement requirements such as data augmentation are implemented. The bill expands the scope of account consolidation. Therefore, a company with one or more subsidiaries must prepare a consolidated annual report for the company and all its subsidiaries in the same manner and manner as its own, and submit it to the general meeting in addition to the financial report. In addition, in addition to the annual accounts, the company must include an additional extract containing a summary of the main aspects of the annual accounts of its subsidiary or subsidiaries in the prescribed format. The Law defines requirements for, among others, independent directors, permanent directors, women directors, duties of directors, audit committee, nomination and remuneration committee, stakeholder relations committee and key personnel. Impose harsher penalties for violations The financial penalty has multiplied and gross negligence has become uncompounded. National Company Law Tribunal was established as a result of Act (NCLT). This court hears all cases or disputes arising out of the Limited Liability Companies Act, as well as court cases involving companies. And the existing duties of the Company Law Commission and the obligation of the higher

<sup>963</sup> <https://www.businesstoday.in/magazine/cover-story/story/reliance-industries-mukesh-ambani-raymond-asian-paints->

courts in the areas of liquidation, merger and amalgamation, rehabilitation and revival of distressed industrial enterprises, reduction of share capital, etc. would be transferred to the NCLT.

**MANAGEMENT AND COMPANIES ACT, 2013** The Companies Act, 2013 provides checks and balances to independent directors to ensure that these powers are not exercised unreasonably or unduly, but in a proper and reasonable manner. The changes made are a step forward in the right direction from the point of view of the smooth operation/operation of the management and the company, as well as the interest of interest groups. All these changes are welcome in nature due to the globalized business world and these changes strengthen the machinery of the company by instilling very strong administrative rules and regulations in the company because high ethical standards and morals as well as financial efficiency always help the company to strive to their goals. To have a good and strong reputation and to maximize one's wealth. The study conducted revealed that the Indian Companies Act 2013 is a boon for sustainable development and also for companies in general.

### **Legal framework surrounding Environmental Social and Governance (ESG)**

**Constitutional Provisions** Our supreme law, i.e. the Constitution of India, 1950, is perhaps one of the first constitutions in the world that contains specific provisions for the protection and improvement of the environment. In the preamble of the Constitution of India itself, it is stated at the very beginning that India is a country based on socialist principles, where the country pays more attention to social welfare than to capitalist reforms. Interestingly, the word "socialist" was added to the preamble by the Constitutional (Amendment) Act 42 of 1976, when there was a wave of environmental debates at the international level. In addition, Article 48A of the Constitution provides that the state must protect and improve the environment and protect the forests and nature

of the state. In addition, Article 47 states that it is the duty of the state to raise the nutrition and living standards of its people and to improve public health. Concerns related to environmental protection have also been emphasized through the provision of civic duties under Article 51 A paragraph g. So it is not exclusively the responsibility of the state or the individual, but rather cooperation is encouraged.

### **Business and banking legislation**

The regulatory framework related to ESG is not found in one piece of legislation, but the same must be referred to several laws. Environmentally, the Companies Act, 2013 (hereinafter referred to as the 2013 Act), SEBI Regulations, RBI Regulations etc. contains various provisions. According to Section 166(2) of the Companies Act 2013, the principal responsibility of the directors of a company requires the directors of the company to act in good faith to promote the objects of the company for the benefit of its members as a whole and in accordance with the objectives of the company. In the interest of the company, its employees, shareholders, community and environmental protection. Recently, M.K. Regarding Ranjitsinh v. Union of India (2021), the Supreme Court explained that this clause "requires the manager of a company to act in good faith not only in the interests of the company, its employees, shareholders and the community, but also to protect the environment." There is no hierarchy between the responsibilities of the company and other stakeholders as mentioned in the aforementioned paragraph. Thus, for example, consideration of climate risk and environmental protection is not an option for Indian business leaders, but rather a "mandatory" that can lead to significant liability risk if neglected.

The law also requires the board to add information about the energy saving and technology adoption activities of the company according to section 134, paragraph 3, point m. Several companies like Reliance Industries Ltd,

ITC Limited, Vedanta Ltd and HDFC Bank etc. have committed to carbon neutrality in the coming years. In fact, some companies are changing their operations to meet zero emissions deadlines. Rule 34(2) (f) of the SEBI Listing and Disclosure Requirements Rules, 2015 and its BRSR (Business Responsibility and Sustainability Reporting, 2021) also make it mandatory for the top 1000 listed companies by markets. Capitalized to include a report on corporate responsibility in its annual report, which describes the initiatives taken by the listed company from an ESG perspective. In particular, it concerns the material ESG risks and opportunities of companies, approaches to mitigate or adapt to the same sustainability goals, disclosures such as greenhouse gas emissions, waste management practices, etc

## CONCLUSION AND RECOMMENDATION

### CONCLUSION

The Companies Act 2013 in India has significantly advanced the integration of sustainable development principles into corporate practices. By mandating Corporate Social Responsibility (CSR) activities and emphasizing environmental, social, and governance (ESG) factors, the Act has encouraged companies to adopt more responsible and ethical business practices. This holistic approach not only enhances corporate reputation but also contributes to long-term value creation for stakeholders and society at large.

### RECOMMENDATION

- Mandatory CSR spending for qualifying companies.
- Focus on activities related to promoting sustainable development goals (SDGs).
- Transparency and accountability in operations.
- Board oversight on sustainability issues.
- Reporting requirements on sustainability performance.
- Annual reporting on CSR activities in the Board's Report.

- Disclosures on ESG factors in the financial statements.

### References

- [www.companiesact.inssuu.com](http://www.companiesact.inssuu.com)
- [www.corporateprofessionals.com](http://www.corporateprofessionals.com)
- [www.slideshare.net/https](http://www.slideshare.net/https)
- [www.businesstoday.in/opinion/new-in-the-new-companies-act](http://www.businesstoday.in/opinion/new-in-the-new-companies-act)
- Companies Act 2013 - The primary legislation governing corporate affairs in India, including provisions related to CSR and corporate governance.
- Global Reporting Initiative (GRI) - International standards for sustainability reporting, often referenced for comprehensive disclosure of ESG performance.
- ISO 26000 - Guidance on social responsibility, providing principles and practices for integrating social responsibility into organizational strategies.
- United Nations Sustainable Development Goals (SDGs) - A global framework for sustainable development, influencing CSR initiatives and business strategies.
- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Requirements for listed companies in India, including disclosure of CSR activities and governance practices.
- National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business - Guidelines by the Ministry of Corporate Affairs, influencing CSR strategies and reporting.
- Business Responsibility Reporting (BRR) - Mandated for top-listed companies in India, requiring disclosure of ESG performance and CSR activities.